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18 July 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

DIA and DOS review(s) completed.

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GENERAL

1. Britain still opposes American position on Far East trade controls: In a strong demarche to the American Embassy in London, the British Foreign Office has urged the United States to take the initiative in getting a quadrilateral agreement with France and Canada on the method for associating Japan with Western trade control machinery in advance of the negotiations with Japan beginning on 28 July.

The Foreign Office called attention to the generally favorable reaction to Japan's request for full membership in COCOM. According to the Embassy, the Foreign Office also indicated that even if Japan were persuaded to accept the American proposal for a separate Far Eastern organization, Britain would be most reluctant to participate. 25X1

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EASTERN EUROPE

2. Albanians denounce Yugoslav provocations as US effort to overthrow Hoxha regime: Radio Tirana reports that the Albanian Ministry of Foreign Affairs protested in its regular monthly note to the Yugoslav Government that despite repeated reminders no steps have been taken to reduce warlike frontier provocations, but, on the contrary, hostile activities against Albania have been intensified.

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The next day Radio Tirana charged that Yugoslav aggressive acts are closely allied with the plans of the American imperialists to prepare a third World War; that Tito's activities are coordinated with those of Greece, Turkey and Italy, thus proving the existence of a Balkan Pact; and that the ultimate aim of this alliance is to overthrow the Hoxha regime and transform Albania into a base for war against the Soviet Union. [REDACTED]

Comment: This forceful propaganda treatment of the Yugoslav provocations may be either reaction to or anticipation of anti-regime activities. Copies of both the June and July protest notes have been sent to the Secretariat of the United Nations.

3. Priority of deliveries to Ostrava coal mines placed on level with exports to USSR. On 12 July the Czech Communist Party newspaper Rude Pravo underlined the necessity for timely deliveries of machines and materials to the Ostrava region construction projects, which are given top priority along with deliveries to the USSR and the Orbit countries. Redirection to other customers of goods intended for Ostrava was denounced as a breach of state discipline. [REDACTED]

Comment: For the past two months the Czech Government has been waging an extremely intensive campaign to increase the production of the Ostrava-Karvinna coal mines. Mechanization of the mines is being hastened and attempts are being made to improve working conditions. The propaganda drive has emphasized the need for more workers for the mines and for greatly increased productivity.

On 12 June the State Court in Ostrava sentenced two mining engineers to death and seven others to prison terms on charges of economic sabotage resulting in mine accidents and reduced production.

In spite of the government's all-out effort, coal output during June reached only 99 percent of the plan. The shortage of coal has been blamed for the failure of major Czech industries to fulfill their plans and for the reduction in consumers' goods and services, notably in electric power in Prague.

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4. Hungarian volunteer Stakhanovite offers made without consulting the "volunteers": A Budapest newspaper on 12 July reported that workers in one Hungarian plant had been much surprised to find that they had "volunteered" to finish the whole August Plan by 20 August in honor of Constitution Day. Other cases where management had made work offers in the name of the workers were reported.

The same newspaper told of two cases of popular indifference to collections of money for Korea. [REDACTED]

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Comment: The two articles throw light on the state of Hungarian morale. Management apparently no longer can rely on workers volunteering for Stakhanovite shifts, after the recent "Duclos shifts" and "Korea shifts."

The American Legation in Budapest previously reported that collections for Korea appeared to be going well. Possibly the publication of the names of non-donors as illustrated above contributes to the campaign's success.

5. High Yugoslav General minimizes current significance of Satellite war preparations: At a dinner given by Colonel General Nadj for American Generals Eddleman and Olmstead, Nadj stated that recent flights of Hungarian planes over the Yugoslav frontier were provocations and that in spite of intense war preparations in the Satellites, he did not foresee imminent hostilities.

American military observers comment that Nadj's statements agree with those of other Yugoslav military leaders. The local press, however, continues to stress Satellite war preparations, particularly the construction of field fortifications on the frontier by contiguous Satellites.

6. Evidence indicates insignificant pro-Cominformism in Yugoslav armed forces: Yugoslav Army officers generally are violently anti-Russian because of their experience with the Soviet Military Mission, [REDACTED]. He told a US Assistant Army Attache that he had known only one officer who remained pro-Soviet after 1948 and that he had been apprehended and jailed. However, certain difficulty has been experienced in reorienting some officers after the

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years of bitter anti-West propaganda. [REDACTED]

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Comment: Conflicting reports have been received on the extent of pro-Soviet feeling in the Yugoslav armed forces. The more reliable evidence indicates, however, that such sentiment is insignificant in extent. The reference to difficulties in reorienting officers probably applies to certain senior and older Communist officers.

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FAR EAST



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9. Moscow and Peiping endorse new line for Japanese Communists:
The official organ of the Chinese Communist Party, commenting on the 30th anniversary of the Japanese Communist Party, asserts that Japanese Communist success is "inconceivable" unless the party pursues united front tactics.

Comment: The Soviet-approved line for the Japanese Communists was prescribed in the 4 July issue of the Cominform

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Journal, in which the Secretary General of the party, Kyuichi Tokuda, rebuked the party leadership for having paid "insufficient attention" to political forms of action.

Peiping's latest broadcast, endorsing united front tactics, was presumably aimed at clarifying an earlier broadcast urging the Japanese Communists to adhere to the program adopted in October 1951. That program, calling for both violence and united front activity, was generally regarded as emphasizing violence.

10. Cambodian King uneasy at French pressure: The continuing, wide-spread purge of Democratic Party officeholders, abetted by an intense anti-Democrat monarchy campaign in the French press, has led the US Charge in Phnom Penh to conclude that the French apparently desire to "finish off" the Democrats. The King is uneasy at this prospect since any further arrests on unconvincing charges would weaken his prestige. [REDACTED]

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Comment: Although the King himself dissolved the widely popular Democrat-controlled cabinet in June, he is now fearful that the French will press matters too far.

The retrogression of Cambodian politics toward absolute rule, openly supported by the French, will tend to stifle any tendency among the people of the three Associated States and of the "fence-sitting" nations of Asia to answer France's repeated appeals for fuller confidence in its policies in Indochina.

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12. Karens and Chinese Nationalists reported cooperating in Burma: The American Embassy in Rangoon is disturbed by the increasing reports of cooperation between Karen and Chinese Nationalist forces in Burma with the connivance of Thailand.

According to the Embassy, the Burmese Government has thus far treated the Chinese Nationalist problem with great restraint despite the widespread belief of US involvement. Chinese complicity with the Karens could seriously undermine American relations with Burma.

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Comment: Reports of Karen-Chinese Nationalist cooperation are supported by the appearance of newly-acquired military equipment in the hands of Karen forces in eastern Burma. It is possible, however, that some of this equipment was obtained from Thailand in exchange for tin and wolfram.

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NEAR EAST - AFRICA

14. Libyan Defense Minister departs for Turkey to study US aid program: Libyan Defense Minister Jerbi has left for Turkey to study the US aid program there and the relationship between American and Turkish military authorities. Prior to his departure, Jerbi repeated to American Minister Villard his desire to see "American tanks in the streets of Tripoli" and

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US equipment for the future Libyan army. Jerbi also hoped for an "old destroyer" as a nucleus for a Libyan navy and eventually US planes for an air force. [REDACTED]

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Comment: Prime Minister Muntasser has previously urged greater American support for Libya. He and Jerbi have both expressed Libyan eagerness to participate in the proposed Middle East Defense Organization. Jerbi has repeatedly sought American support for ambitious schemes for developing Libya's defense forces.

15. Moroccan nationalist tests limits of political rights in Spanish Zone: The American Legation in Tangier believes that recent, public, unprecedented, and pointed criticism of Spanish Moroccan legislation by nationalist leader Abd-el-Khalek Torres is a "trial balloon" to see how far he will be permitted to go. [REDACTED]

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Comment: Political activities were legalized by decree on 12 March as one step of Spain's policy of friendship toward the Arab states as well as to needle the French authorities in Morocco who were intensifying their attempts to suppress nationalist activities.

If in this instance Torres' feeler goes unreprimanded, he probably will make bolder attempts to strengthen and broaden his political following. The protectorate authorities are watching his movements closely, however, and are encouraging the formation of splinter parties to prevent the formation of a strong, united nationalist movement in Spanish Morocco.

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WESTERN EUROPE

16. East German canal by-pass reportedly not usable: The new East German Paretz-Niederneuendorf canal, by-passing the West Berlin canal system, is still not usable, [REDACTED] 25X1
[REDACTED] Swampy ground has reportedly allowed the Schoenwalde lock on the canal to settle and tilt so much that the gates will not operate. There has been no decrease in the number of East German barges transiting the West Berlin waterways. [REDACTED] 25X1

Comment: The by-pass opened on schedule on 28 June, although reports indicated that it would not be fully operable till fall.

According to unconfirmed press stories, East German authorities have recently stopped West Berlin barges from using East Berlin waterways. This move would affect only barges bringing goods into Berlin from points in East Germany.

17. East German "reforms" reportedly scheduled for early completion: Further information on events in East Germany prior to the Socialist Unity Party (SED) conference last week suggests that at least some of the party policies enunciated at that time will be implemented rapidly. [REDACTED] the 25X1
entire administrative reorganization will be completed by September. The schedule for the progressive collectivization of agriculture, believed to have been drawn up by the SED last month, reportedly calls initially for "voluntary" joint cultivation of combined fields by individual farmers, to be followed later with measures for joint harvesting and management of livestock.

Additional changes at the executive level of the government, involving the formation of a "presidium of ministers," may also be in prospect. The new group will presumably "by-pass" the Council of Ministers. [REDACTED]

Comment: While neither the exact form nor timetable of the promised changes is certain, the scheduled reforms will materially enhance SED control over the government. These developments place the party's recent appeals for bourgeois support in their proper perspective, making it clear that the Communists are interested primarily in a facade of mass approval, that ultimately bourgeois groups are likely to be pushed to the fringe of political activity, and that the future of the bourgeois political parties is becoming increasingly uncertain.

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18. Austrian Socialists renew campaign for "full employment" policy: Stating that the government's allocation of 70 million schillings to emergency projects will not solve Austria's unemployment problem, the principal Socialist paper in Vienna demanded last week that the country's economic policy be re-directed toward the establishment of full employment. The Socialists concede that the alarming increase in unemployment over last year is only partly due to budget cuts in investments, but assert that the restoration of funds for construction is proof that previous budget cuts were too large and that "well-meant plans for balancing the budget, which may work in other countries, are not applicable to Austria."

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Comment: American officials in Vienna are inclined to attribute the 40 percent increase in unemployment over last year to loose credit policies of the Austrian banks rather than to cutbacks in Austrian investments. The absence of qualitative credit controls has allowed businessmen to maintain large inventories for long periods without being forced to lower prices to move their goods, and has consequently reduced the number of orders going to manufacturers. This has affected the textile industry in particular, where many workers are now employed on only a part-time basis.

The resumption of Socialist opposition to budget balancing probably portends difficulties for MSA officials in Austria, who have regarded the Socialist-Conservative budget agreement reached only a few weeks ago as an unsatisfactory compromise.

19. Italian firm plans to send second tanker to Iran: Count della Zonca, chairman of the EPIM company which sent the Rosemary to Iran, has indicated that his company is planning to send a second tanker. Della Zonca did not indicate, however, whether this second attempt to obtain Iranian oil would be made before or after the judgment of the court at Aden, where the Rosemary has been impounded on the claims of the Anglo-Iranian Oil Company.

Comment: There have been several previous reports that EPIM would make a second attempt to break the boycott on Iranian oil. The Italian Government does not want to offend Britain on this issue; it would, however, once the Anglo-Iranian dispute is settled, favor barter agreements with Iran, since such agreements would help Italy conserve dollar and sterling foreign exchange.

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20. Italian Communist reportedly prevented Nicole's expulsion from Swiss Communist Party: Swiss police officials have informed the American Consul in Geneva that they "know" that an Italian Communist named Cerini was largely responsible for preventing the expulsion of Leon Nicole from the Swiss Communist Party. They state that a French and an Austrian Communist also brought similar instructions to the party congress held early last month.

On 30 June the Swiss police arrested a Communist university professor, Andre Bonnard, who was en route to the World Peace Council in East Berlin, for carrying documents "discrediting" the Swiss Red Cross in "support" of the charges which the USSR has made against that organization.

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Comment: The exact situation in the Swiss Communist Party is still confused, although there is little doubt that the anti-Nicole faction is in control. The Communists may wish to avoid a split in the Swiss Communist Party at a time when they are trying to discredit the International Red Cross. Such factionalism would reduce the intelligence value of the Swiss Communists in support of this campaign and increase the chances that dissident Swiss Communists would expose the origin of the charges.

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The Swiss Government has stated that attacks on the Red Cross assail the very basis of Swiss neutrality.

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FAR EAST

1. France opposes Associated States recognition of Chinese Nationalists: A French Foreign Office spokesman recently stated that this is not a propitious time for the Indochina Associated States to consider recognition of the Chinese Nationalist Government. The American Embassy in Paris infers that the question might be considered next year if the interned Chinese Nationalist troops in Indochina are repatriated by the end of 1952. [REDACTED]

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Comment: The French Government now seems more willing to risk irking the Chinese Communists by a repatriation of the Nationalist internees; but Paris may continue to consider diplomatic recognition an unnecessary provocation, especially since the Nationalist Government already has consuls in the Chinese communities in Indochina.

NEAR EAST - AFRICA

2. France accuses the US of interference in Morocco: During the opening sessions of the International Court of Justice on the validity of American extra-territorial rights in Morocco, France accused American Consuls of connivance, fraud, and preventing law enforcement. France argued that the protectionist policies of the United States and its lack of reciprocity were preventing the development of the Moroccan economy, and also accused the United States of preventing the institution of needed reforms. [REDACTED]

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Comment: Emphasis on the political aspects of American extra-territorial rights was expected in this French-instigated court hearing, but such spurious accusations were not anticipated.

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Resident General Guillaume last autumn publicly accused the newly-arrived American Consul in Rabat of interfering in domestic affairs and in so doing promoted press sniping at American diplomatic personnel. Guillaume and other French officials apologized and put an end to the press campaign. Nevertheless, French uncooperativeness and unfriendliness have continued.

3. Officials in Morocco alleviate one US-French irritation:
The French Air Force Liaison mission in Morocco suddenly reversed its demand for a year's rent for headquarters facilities which have been used by the American Fifth Air Division under a verbal agreement that they were rent-free. The French mission also apologized for the "error."

The American commander believes that the unprecedented reversal was caused by Resident General Guillaume's return to duty.

Comment: American Air Force officials are worried over indications that the attitude of the Residency General is stiffening against American construction and administration of air bases in Morocco. In addition to the rent controversy, other irritations have included the demand for payment of customs duty on theoretically tax-free imports, unexplained delays in acquiring sites for essential aircraft control and warning stations, and the unilateral reduction in the area agreed upon for the construction of one of the bases.

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